

# **Occupational Death & Disability Defined Contribution Plan**

Public Employees' Retirement System (PERS)  
Tier IV

Teachers' Retirement System (TRS)  
Tier III

Division of  
Retirement and Benefits



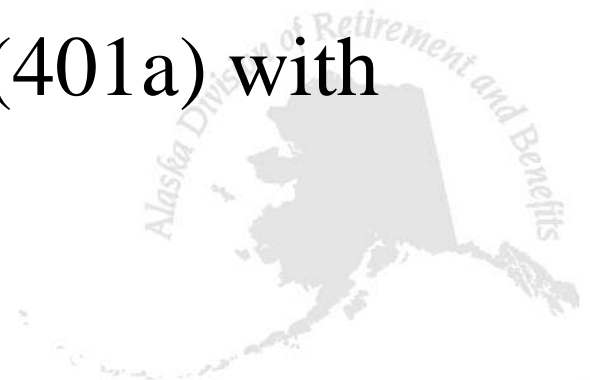
# Defined Contribution Plan

- PERS Tier IV and TRS Tier III are *defined contribution* plans.
  - June 30, 2006



# Hybrid Plan

- Defined Benefits:
  - Access to medical coverage
  - Health Reimbursement Arrangement (HRA) account
  - Optional benefits
  - Occupational death and disability benefits
- Defined contribution account (401a) with multiple payment options.



# Occupational Disability



# Occupational Disability

- This is an employer funded benefit. It is 100% employer funded.
- PERS Tier IV and TRS Tier III offer *occupational disability* only.
- There are no medical benefits tied to the PERS and TRS defined contribution occupational disability benefit.



# Overview

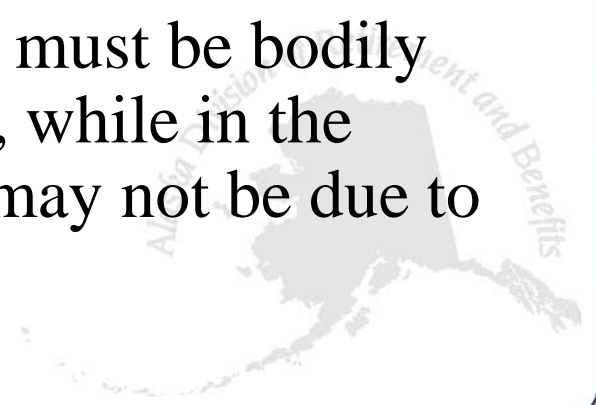
- If your employee experiences a total, presumably permanent, disability from an accident, injury or illness caused by their job:
  - They will receive 40% of their salary at the time of termination due to disability.
  - This benefit will convert to a normal retirement when they reach normal retirement eligibility.



# Disability – Definition

## What is an occupational disability?

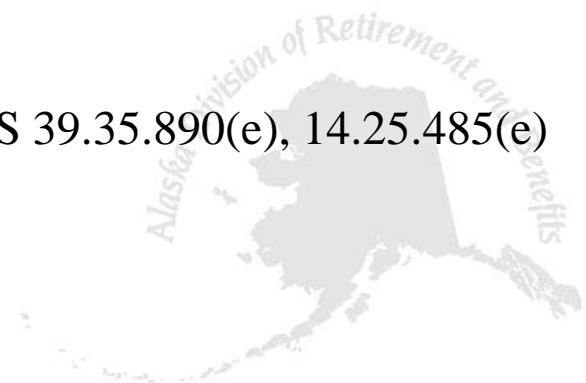
- A condition that prevents an employee from satisfactorily performing their usual duties, or duties of a comparable job available to them for which they are qualified by training or education.
- The employee is not expected to improve to the extent they could perform their job duties in the future.
- The proximate cause of the condition must be bodily injury sustained or hazard undergone, while in the performance and scope of the job. It may not be due to willful negligence.



# Disability – Application

- Applicants do not have to terminate before they apply.
  - Approved? Must terminate within 30 days of the Administrator's decision.
- An employee must file an application with the Division within 90 days of their termination from employment.

AS 39.35.890(e), 14.25.485(e)





# Disability – What do we need?

- Employer:

- Employer's Statement.  
This is a form completed by the employer that includes questions about job duties, accommodations, etc.
- Job Description
- Incident/Injury Reports

- Employee:

- Signed and completed application
- Signed release of information

***The employee is responsible for providing all medical records.***



# Employer Statement

- **Key Questions:**

- Last day worked (last day actually at work)
- Usual duties of the employee and effect of disability on duties
- Job modifications
  - Has the employee asked for any modifications?
  - Have you attempted to restructure the position, or offer the employee another position they are qualified to perform?



# Employer Statement (continued)

- It must be signed by the employee's immediate supervisor, if possible, and the designed human resources manager.



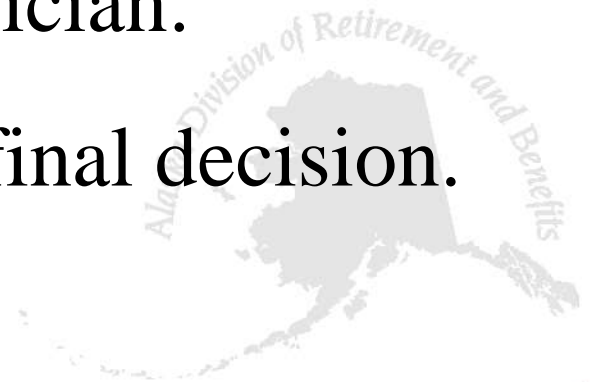
# Disability – What do we need?

- Physician and other providers:
  - Physician Statements
  - Objective medical information (imaging, labs, procedure reports)
  - Chart notes from office visits and any hospitalizations
- Workers' Compensation:
  - Incident/injury report
  - Medical Exams – IME, SIME, FCE
  - Reports of controversion or settlement



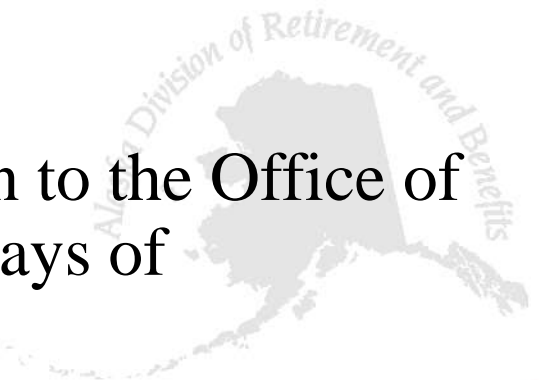
# Disability – Decision Timeline

- It can take up to 6 to 8 weeks to process an application.
- The Employer Statement, Position Description, Workers' Compensation records, Physician Statements, and all medical records must be received before the application is reviewed by a consulting physician.
- The Administrator makes the final decision.



# Disability – Potential Decisions

- Approval
  - The member must terminate employment within 30 days of the Administrator's decision.
- Deferral
  - The decision is deferred until a condition becomes stable, or until additional requested information is received by the Division.
- Denial
  - The member may appeal the decision to the Office of Administrative Hearings within 30 days of notification of the denial of benefits.



# Disability – When do benefits start?

AS 39.35.890(b), 14.25.485(b):

First day of the month after termination of employment as a result of the disability, and are payable the last day of the month.



# Disability – When do benefits end?

The last payment shall be the first month in which the disabled employee:

- Dies
- Recovers from disability
- Fails to meet certain requirements (examination, vocational rehabilitation)
- Reaches normal retirement age

AS 39.35.890(b), 14.25.485(b)



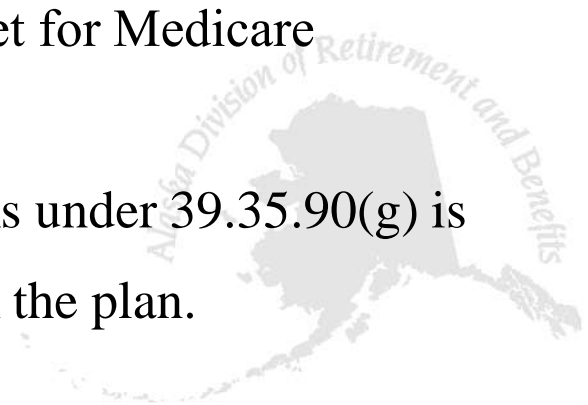


# What is Normal Retirement Age?

- When is a recipient eligible to move to a normal retirement?
  - The member has been an active member for at least 12 months before retirement age;
  - has 25 years of service as a peace officer or fire fighter, or 30 years of service for all other employees; or
  - reaches the **normal retirement age** *and* has at least 10 years of service.

“**Normal Retirement Age**” is defined as the age set for Medicare Eligibility. Currently, that is 65.

- An employee whose ODIS benefit terms under 39.35.90(g) is considered to have retired directly from the plan.



# Disability – Amount of Benefit

- The amount of an occupational disability is 40% of the disabled employee's gross monthly compensation at the time of termination due to disability.
- At the time a member is appointed to occupational disability, the member becomes fully vested in employer contributions.



## Disability to Normal Retirement – All Others

- When the member reaches or would have reached 25 years of P/F or 30 years all other, or 10 years and Medicare eligible, the member or survivor has access to the account balance, medical coverage and the HRA.



## Disability to Normal Retirement - Police/Fire

Police Officers and Fire Fighters have a choice when they reach retirement.

P/F can irrevocably elect to receive retirement benefits calculated as the:

1. Employee's retirement benefit calculated under AS 39.35.820 – 39.35.840;
2. Employee's retirement benefit calculated as if the provisions of AS 39.35.370(c) applied.
  - Benefits paid under #2 will be paid first from the member's individual contribution account, then from the trust account established under AS 39.35.750(e)

## Disabled Benefit and Disabled Peace/Fire Benefit Adjustment

Once annually, the Administrator shall increase disability benefits or retirement benefits elected by disabled peace officers or fire fighters\*

- Increase = a percentage of the current disability or retirement benefit equal to the lesser of 75% of the increase in the cost of living in the preceding calendar year, or 9%.
- If the member did not receive the benefit for the entire preceding calendar year, the increase will be adjusted.

AS 39.35.891( A)(B), 14.25.486(A)(b)

# Occupational Death



# Occupational Death – Benefit

A death is considered occupational if:

- The death of an employee occurs before the employee's retirement and before the employee's normal retirement eligibility;
- The proximate cause of death is a bodily injury sustained or a hazard undergone while in the performance and within the scope of the employee's duties;
- The injury or hazard is not the proximate result of willful negligence of the employee.

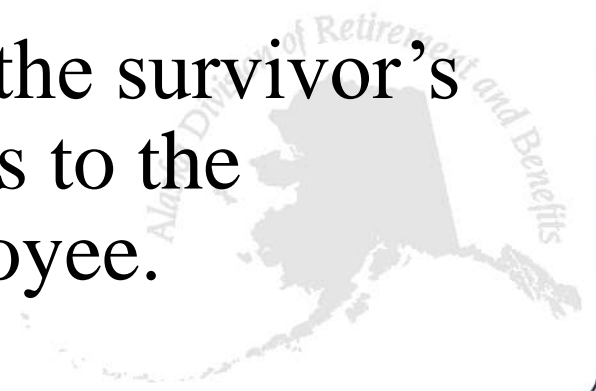


# Death While On Occupational Disability

AS 39.35.890(k), 14.25.485(i):

Upon the death of a disabled employee who is receiving, or is entitled to receive, occupational disability, the surviving spouse's pension is equal to 40% of the employee's monthly compensation at the time of termination of employment.

If there is no surviving spouse, the survivor's pension is payable in equal parts to the dependent children of the employee.





# Occupational Death – Benefit

## **When do benefits start?**

The first payment is made for the month following the month in which the employee dies. (Example: Employee dies in May, payment begins in June.)

AS 39.35.892(B), 14.25.486(B)

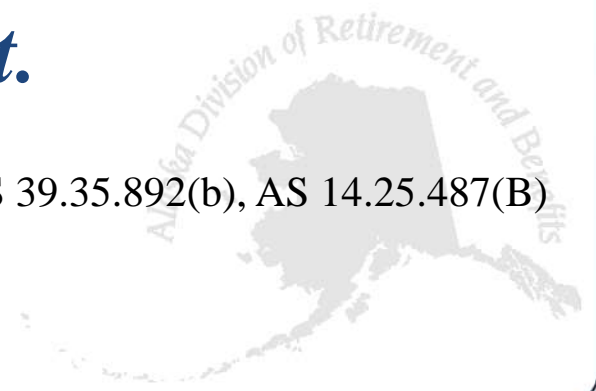


# Occupational Death – Benefit

## When do benefits end?

The survivor's pension ends the last day of the month in which there is no longer an eligible spouse or eligible dependent child, or the last day of the month following the earliest day the employee would have first qualified for normal retirement if the employee would have survived, *whichever comes first*.

AS 39.35.892(b), AS 14.25.487(B)



# Occupational Death – Amount of Benefit

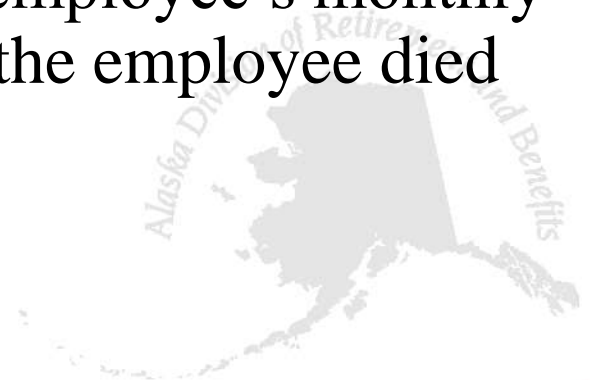
## Police/Fire

AS 39.35.892(c), 14.25.487(c)

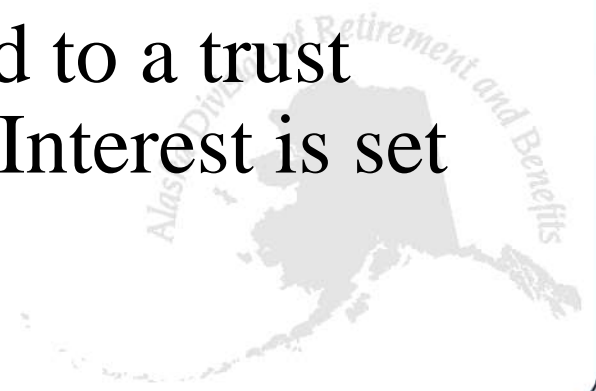
- The survivor pension of employees who were police officers or fire fighters is 50% of the monthly compensation in the month in which the employee dies.

## All Others

- The monthly survivor's pension for employees who were not police or fire is 40% of the employee's monthly compensation in the month in which the employee died



- While the survivor is receiving a monthly pension, employers pay contributions into a separate account for the survivor, the HRA and the retiree medical account *until the employee would have reached normal retirement eligibility.*
  - These contributions are paid to a trust account, and gain interest. Interest is set by the ARM board.



# Death by Assault, Assassination, or Terrorism

If an employee's death is caused by an act of assault, assassination, or terrorism directly related to the person's status as an employee the death is considered to have occurred within the scope of the employee's duties.

AS 39.35.892(d), 14.25.487(d)



# Occupational Death

## **Normal Retirement**

The recipient of the survivor's pension can access the employee's account and employer contributions at the time the member would have reached eligibility for normal retirement.



# Occupational Death & Disability Contributions

## **Occupational Death & Disability Statutes**

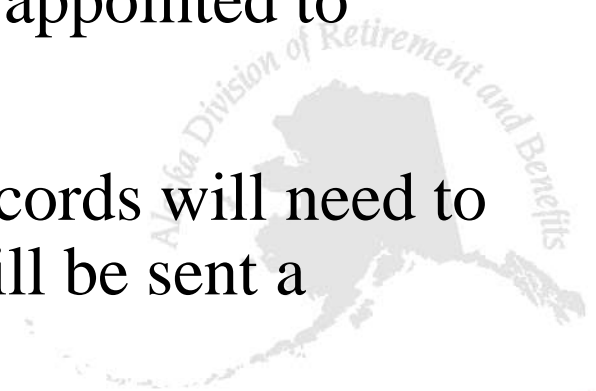
AS 39.35.890 (d) Disability

AS 39.35.892 (c) Death



# Occupational Death & Disability Contributions

- Contributions will be calculated on the disabled or deceased employees gross monthly compensation at the time of termination (due to death or disability).
- Notification will be sent to the employer in the form of a letter. The letter will include the amount due for each contribution.
- The contributions should be reported on the first payroll following the date the employee was appointed to occupational death or disability.
- In some circumstances adjustment records will need to be reported. If this is the case, you will be sent a spreadsheet and instructions.





# Letter Example

Employer  
400 Walt Disney Land Ave.  
Juneau, AK 99801

RE: Mickey Mouse xxx-xx-9092– DCR Occupational Disability Benefit Contributions

Please accept this letter as written notification that occupational disability benefit contributions under the Public Employees' Retirement System Defined Contribution Retirement plan are payable Bi-weekly due to the occupational disability for Mickey Mouse.

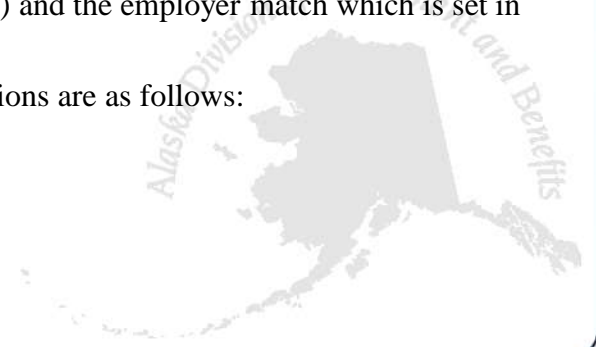
Under AS 39.35.890 (d) while an employee is receiving disability benefits, based on the disabled employee's gross monthly compensation at the time of termination due to disability, the employer shall make contributions. (1) to the employees' individual account under AS 39.35.730 on behalf of the employee, without deduction from the employee's disability payments; and (2) on behalf of the employee under AS 39.35.750.

Employer contributions for the occupational disability benefit began accruing with the first pay period in February 2014. The Division has determined that the gross **Monthly** compensation at the time of the occupational disability for Mickey Mouse was \$6,349.08. Please report \$2,930.00 on a Bi-Weekly basis and contributions associated with this compensation.

The occupational disability benefit contribution rates per AS 39.35.890 (d) (1) and (2) vary each fiscal year and can be found on our Division Web site at [alaska.gov/drb](http://alaska.gov/drb) under **Employer Services > PERS/TRS Employer Contribution Rates**, with the exception of the employee contribution rate which is set in statute at AS 39.35.730(a) and the employer match which is set in statute at AS 39.35.750(a).

The fiscal year 2015 rates applicable to the occupational disability benefit contributions are as follows:

- |   |         |
|---|---------|
| • Employee Contribution Rate                  | 8.00%   |
| • Employer Match Contribution Rate            | 5.00%   |
| • Retiree Medical Plan                        | 1.66%   |
| • Occupational Death and Disability           | 1.06%   |
| • Heath Reimbursement Arrangement (Bi-Weekly) | \$75.41 |



# Occupational Death & Disability Contributions

## **Reportable Contributions for Occupational Death and Disability include:**

- Employer Contribution Rate
- Employee Contribution Rate
- Retiree Medical Plan (RMP)
- Occupational Death and Disability (ODD)
- Health Reimbursement Arrangement (HRA)

The contributions will be reported with your other payroll records through eReporting. You will use a status D and when the gross compensation is entered in, eReporting will calculate the contribution amounts for you just as it does with a normal payroll record.

# Screen shot of entry in eReporting

The screenshot displays the 'Employer eReporting' web application interface. The browser window shows the URL 'http://www.state.al.us' and the page title 'Payroll - Employer eReporting'. The application has a navigation menu with tabs: Control, New Employee, Personnel Change, Events, Payroll, Adjustments, Invoicing, Additional Amounts, Group Update, Banking, Reports, User Maintenance, User Profile, and Logout. The 'Payroll' tab is selected.

The main content area shows the 'Employee: 100-P-TERMINUS SD' and 'Payroll: 274248 S: 09/15/2014'. Below this, there is a search bar with '154' entered and a 'Search' button. The 'Records per Page' is set to 20, and the 'Filter by Plan' is set to 'ALL'.

SSN	OCG	Status	Plan	Gross	PT Hrs	EE Contrib	ER Match
Name	PreTax	PostTax	Vol/Sup	RMF	HRU	OCO	DBU
00000000	A-ALL	DC-DC	DC	3,000.00	0.00	240.00	50.00
00000000	0.00	500	0.00	40.00	75.40	5.00	0.00

At the bottom of the screen, there are buttons for 'Save', 'Calculate Page', 'Calculate/Save ALL', 'Delete Page', 'Delete ALL', 'Add', 'Rows', and 'Add 1 Row'.

# Conclusion

## Questions?

### Contact:

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